

**EDUCATION DEPARTMENT[281]**

**Adopted and Filed**

**Rule making related to custodial funds**

The State Board of Education hereby amends Chapter 98, “Financial Management of Categorical Funding,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is adopted under the authority provided in Iowa Code section 256.7(5).

*State or Federal Law Implemented*

This rule making implements, in whole or in part, 2020 Iowa Acts, Senate File 2082.

*Purpose and Summary*

This rule making renames a fund to align with current governmental accounting terminology and to conform to a legislative change.

*Public Comment and Changes to Rule Making*

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on February 24, 2021, as **ARC 5462C**. A public hearing was held on March 16, 2021, at 8:30 a.m. in Room B100, Grimes State Office Building, 400 East 14th Street, Des Moines, Iowa. No one attended the public hearing. No public comments were received. A change from the Notice has been made in subrule 98.101(3) to make the sentence structure parallel.

*Adoption of Rule Making*

This rule making was adopted by the State Board on May 6, 2021.

*Fiscal Impact*

This rule making has no fiscal impact to the State of Iowa.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

This rule amendment is required by statute and is not waivable.

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee’s meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

*Effective Date*

This rule making will become effective on July 7, 2021.

The following rule-making action is adopted:

Amend rule 281—98.101(298A) as follows:

**281—98.101(298A) Agency Custodial funds.** Agency Custodial funds are used to account for funds that are held in a custodial capacity by the school district for individuals, private organizations, or other governments. Agency Custodial funds may include moneys collected for another government, a grant consortium when the school district serves as fiscal agent for the other school districts but has no managerial responsibilities, or funds for a teacher or a parent-teacher organization which has its own federal identification number (FIN). In ~~an agency~~ a custodial fund, the school district or area education agency merely renders a service as a custodian of the assets for the organization owning the assets and the school district or area education agency is not an owner. Agency Custodial funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners.

**98.101(1) Sources of receipts in ~~agency~~ custodial funds.** Sources of receipts in ~~the agency~~ custodial funds include temporary receipts of cash, investment instruments, property, and interest on investments held.

**98.101(2) Appropriate uses of ~~agency~~ custodial funds.** Appropriate disbursements from ~~an agency~~ a custodial fund depend on the nature of the rightful owners' conditions or the responsibilities of the custodian. Typically, disbursement will involve remittance of assets to their rightful owners or to a third party on behalf and at the request of the rightful owners. The school district cannot disburse more funds at any point in time than it has received from the rightful owner.

**98.101(3) Inappropriate uses of ~~agency~~ custodial funds.** Inappropriate disbursements from ~~agency~~ custodial funds include any disbursement which is not consistent with the terms of the agreement, is not legal to a school district, or ~~that~~ exceeds the amount of funds that have been received from the rightful owner or on behalf of the rightful owner.

[Filed 5/6/21, effective 7/7/21]

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EDITOR'S NOTE: For replacement pages for IAC, see IAC Supplement 6/2/21.